



“Globus Spirits Limited Q1 FY20 Earnings Conference Call”

August 6, 2019



MANAGEMENT: MR. SHEKHAR SWARUP – JOINT MANAGING DIRECTOR

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Moderator: Ladies and gentlemen, good day and welcome to the Globus Spirits Limited Q1 FY20 Earnings Conference Call. Before we begin, I would like to state that some of the statement made in today's discussion may be forward-looking in nature and may involve risks and uncertainties. Documents relating to company's financial performance have already been uploaded on the exchangers.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please press '*' and then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Shekhar Swarup – Joint Managing Director, Globus Spirits Limited. Thank you and over to you.

Shekhar Swarup: Good morning everyone and thank you for joining us on this call where we will be discussing performance of our quarter ended June 2019. Along with me, we have on the call, Mr. Vijay Rekhi – Chairman (Unibev); Dr. Bhaskar Roy – COO at Globus Spirits and Mr. Ajay Goyal, – CFO at Globus Spirits and our investor relations team.

This has been an exciting beginning of the year and we believe this momentum will continue for the rest of the financial year. We are happy to announce that our technical and engineering teams have been able to enhance capacity in Rajasthan by 7% by innovative debottlenecking with limited CAPEX. This quarter also saw for the first time uninterrupted operations at Bihar with capacity utilizations of around 88% at that facility.

ENA realizations in the quarter continue to be strong and grow by 7% as compared to the same quarter last year. Our consumer business too saw growth and value with Haryana and Rajasthan governments announcing price increases of Rs. 30 and Rs. 35 respectively. Rajasthan price increase came in effect from June 2019. Rajasthan as you are aware contributes contributed around 80% of our total IMIL revenues and despite cost per shares in raw material and packing material, the price increases had significant amounts in the company's profitability for the entire fiscal. Our focus on innovation through research and developments on the consumer facing business helps towards brand building and during the current quarter we have launched 4 new brands in the IMIL segment with 2020, Kadak Pan, Rider and GR-8 with superior packaging and blend profiles in the states of Haryana and Rajasthan.

We believe that Globus is on the path where there is much to achieve in the years ahead, from being India's largest crane based distiller, one of the leading IMIL players in India to building a strong presence in the premium IMFL segment with our wholly owned subsidiary Unibev. The promoters perceive an immense value in the company and hence have proposed issuance of share warrants to the tune of 14,39,000 shares at the price which will be determined by formula set out by SEBI. The cash reserve generated through this issuance shall be added to the company



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reserves and will be used to meet the company's commitments including investing in our subsidiary, Unibev and reduction of debt at Globus levels.

I now invite Mr. Rekhi to discuss developments of Unibev in the quarter gone by.

Vijay Rekhi:

Thank you, Shekhar and very good morning everyone and welcome to the earnings call. Unibev continues its growth trajectory. Brands are experiencing good response. Our current focus is towards achieving and increasing geographical presence and build product portfolio. At Unibev, we are heading towards creating pan India presence of our brands which will help to increase both visibility and availability to a larger consumer base. During this fiscal, our aim is to expand our presence to 14 or 15 states from current presence into 7 states. Key states targeted to enter during FY20 are Maharashtra, UP, Rajasthan, Goa, Madhya Pradesh, Assam, and Sikkim. We may also consider Delhi after new excise policy is announced by middle of this month.

Along with geographical expansion, our efforts are to thrive towards expanding our product offerings. Currently, we have total one brandy and two whiskeys in our portfolio. We plan to launch two whiskey brands during the end of this financial year of which one will be in super premium segment. This will expand the product offering to 4 whiskeys and one brandy. Once we achieve extensive geographical presence and well accepted product portfolio, we shall then focus towards marketing spends to emphasize on the higher sales volumes. Currently, we are very cautious and selective in our marketing spends. We are spending where we believe we would be able to achieve some impactful results and increase the brand visibility. During this quarter, we have initiated promoter driven spot sale activity in Bengaluru and Hyderabad to generate brand awareness.

Oakton and Governor's Reserve were showcased and samples in key potential clubs across launch markets and we participate it in niche key events in Bangalore and Kolkata. Creating a brand is like a growing baby. They will start to crawl, then walk and within no time, you will see them running. The next leg of growth for IMFL industry is bound to come from premiumization and at Unibev, we are confident in creating a well-established brand and be a part of premiumization wave. With these comments, I now request Dr. Bhaskar Roy to share operational performance for Globus Spirits.

Bhaskar Roy:

Thank you, Mr. Rekhi. Good morning and warm welcome to everyone. I will share the operational performance of the company. During the quarter ended June 30th 2019, the company's production increased by 21% on account of commencement of Bihar facility and increase in capacity at Rajasthan against same quarter previous year. IMIL volumes for the quarter stood at 2.93 million cases in Q1 FY20 compared to 3.20 million cases in Q1 FY19. IMIL volumes declined to the tune of 8% on account of stake competition in the market.

Average realizations for the quarter stood at Rs. 365 per case against Rs. 340 per case during Q1FY19, a growth of around 7% year to year. Franchisee bottling volumes saw a robust growth



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of 41% at 1.13 million cases in Q1 FY20 compared to 0.80 million cases in Q1 FY19. Out of this, 0.32 million cases pertained to bottling done by ABD in Rajasthan, 0.20 million cases for bottling in Haryana and remaining 0.60 million cases for bottling done in West Bengal. West Bengal reported a robust growth of 1.3 million cases. Bulk alcohol volumes for Q1 FY20 stood at 30.16 million litres compared to 19 million litres in Q1 of FY19, a strong growth of 59% packed by improved utilization of Bihar facility and increase of capacity. Our ability of improved operating techniques helped us to achieve higher alcohol recovery during the quarter. The average alcohol recovery per quintal of grain improved to 48.6% compared to 47.8% average excluding Bihar facility of last year during same quarter previous year. On account of higher ENA and higher DDGS realization, the revenue mix was higher towards manufacturing segment at 64% compared to 54% in quarter 1 FY19. Contribution of consumer and manufacturing business during the quarter stood at 36% against 46% in quarter 1 FY19 respectively.

Lastly, commenting on the CAPEX front, I would like to share that all our ongoing high EBITDA accretive CAPEX proposals are funded through the internal accruals which will improve the financial health of the company.

With that, I will like to call upon our CFO, Mr. Ajay Goyal to continue the discussions on the financial performance.

Ajay Goyal:

Thank you, Dr. Roy. Good morning to everyone. I will take you through the key financial highlights for the quarter ended June 30th 2019. For Q1 FY20, gross revenues stood at Rs. 3,124 million against 2,582 million in Q1 FY19, a growth of 21% year-on-year basis. During Q1 FY20, the total income net of excise duty was reported at Rs. 2,970 million against Rs. 2,323 million in Q1 FY19, a growth of 28% year-on-year. Increase in ENA volumes and realizations by 59% and 7% respectively spotted a strong growth in sales for Q1 FY20. EBITDA stood at Rs. 302 million in Q1 FY20 against Rs. 272 million in Q1 FY19, a growth of 11% with EBITDA margins at 10.2% in Q1 FY20 against 11.7% in Q1 FY19.

Increase in input cost is the major reasons for the pressure on the EBITDA and EBITDA margins. The grain rates during the quarter increased by 23% year-on-year and 2 months delay in Rajasthan price increase in the country liquors. Profit before tax saw a healthy growth of 28% at Rs. 149 million compared to Rs. 116 million in Q1 FY19. Profit after tax during the quarter ended at Rs. 94 million in Q1 FY20 compared to Rs. 75 million in Q1 FY19. Reduction in finance cost aid to healthy growth of 25% year-on-year. Company's debt has been reduced to Rs. 2,189 million during the quarter. It includes working capital as well. I would also like to add that we are in the process to rationalize our effective interest costs in the coming quarters which will further reduce our overall borrowing cost and further help in improving our bottomline. Our disciplined approach towards the debt position and principle of maintaining healthy balance sheet can be observed throughout our improving financial and gearing ratios over the quarters.



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This concludes my remarks on the financial highlights. I would now request the moderator to open the forum for questions. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. First question is from the line of Abhishek Agarwal from Prithvi Finmart. Please go ahead.

Abhishek Agarwal: Sir, my first question regarding our Rajasthan operation, so recent hike in IMIL price in Rajasthan is almost 10%, so as we are doing around 90 crores of revenue per quarter, so can we expect that entire increase in revenue will add to the bottomline or some part will only go to the bottomline?

Shekhar Swarup: So, as was mentioned earlier in the opening remarks, first is the price increase came in June, so we do not get the entire quarter of an increased price. Secondly, there has been significant raw material and packing material cost increases in this financial year, so the entire amount will not reflect in our bottomline. It is difficult for me to tell you for the entire year what portion will be but it will add significant demands to bottomline.

Abhishek Agarwal: Sir, if I compare so, it is almost 9 crores our revenue increase, so can we assume at least 50% will go to the bottomline?

Shekhar Swarup: It is difficult for me to say going forward because we have to buy inputs, we buy PET bottles, we buy caps, we buy grain, we buy fuels, so lot of these things are not in our control, but significant portions will come to bottomline. I won't be able to give you more precised number.

Abhishek Agarwal: Sir, since launch we are seeing drop in IMIL volume in West Bengal which was supposed to grow over the year, so please throw some light on the West Bengal market and continue to do this. We are seeing significant drop in revenue from the consumer segment, so how should you look this pie going forward?

Shekhar Swarup: In West Bengal, the opportunity in the last couple of quarter has been to supply ENA as the realizations on ENA was significantly higher than the realizations on country liquor. As a result, we have limited our distribution in country liquor to the regions that we get more profitable sale. Going forward, we remain very positive on country liquor in West Bengal. The country liquor prices need to be increased in West Bengal. They haven't been increased for very long time there and the entire industry is requesting the government to make that price increase, but as of now we are limiting our distribution to profitable areas and focusing on ENA which is the most profitable business there. As far as share of revenue and consumer revenue were all is concerned, overall consumer revenues have been going up as an absolute amount, but as a share of our total business, they have reduced because in Bihar, we have restarted our facility and Bihar as you are aware there is prohibition there. We cannot make bottle liquor, so from that distillery we will always have 0% consumer business and to that extend we are seeing that correction in our total consumer share of revenue.



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- Abhishek Agarwal:** Actually I am just saying that Bihar capacity is only contributing 90 crores of the revenue with the full capacity, so it should not encourage the manufacturing pie chart so much?
- Shekhar Swarup:** No, it is much more than 90 crores and we can discuss the precise numbers.
- Abhishek Agarwal:** And sir to have better understanding on the West Bengal market as you over the quarter highlighted that contribution is Rs. 20 per case on the IMIL side compared to Rs. 8 in ENA side. So, in West Bengal market, what is the contribution we are getting currently, so that our ENA we are more benefitable compared to IMIL?
- Shekhar Swarup:** That is the data point that we do not share, the average for the company is about Rs. 8, West Bengal contribution from ENA is significantly higher and it is higher than country liquor within the state.
- Abhishek Agarwal:** And are we started supplying ethanol and if yes, what is the average realization?
- Shekhar Swarup:** We have started supplying ethanol from Haryana. Our average realization is about Rs. 46 to Rs. 47.
- Abhishek Agarwal:** So, it is less than the ENA price?
- Shekhar Swarup:** Yes, but they are two different products and they require different inputs, but currently yes, you are right, it is less than ENA price.
- Abhishek Agarwal:** Sir, but for ENA manufacturing, we need additional cost also, so we are making loss compared to ENA. It is better to supply ENA then, not wrong?
- Shekhar Swarup:** Yes, it is better to supply ENA, but one has to look at it from a basket average price play.
- Abhishek Agarwal:** And sir, last thing we are supposed to launch new product in Unibev, so can you highlight this what is the status on that?
- Shekhar Swarup:** I request Mr. Rekhi to take that please.
- Vijay Rekhi:** At the moment, we have three active products, one is Laffaire, the other is Governor's 12 and the second one is Oakton 18. We would be launching two more whiskey products in the premium category, one will be Governor's 15 in selected states and the other one will be Royalton 21 and both of them would be launched as per the needs and pricing available in different states before the end of October.
- Moderator:** Thank you. The next question is from the line of Vikram Kotak from Crest Capital & Investment. Please go ahead.



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- Vikram Kotak:** I have a couple of questions Shekhar for you, one is the, you talked about the innovation by which you reduced the CAPEX in Rajasthan, can you throw some more light on that and second, you said there are four new brands launched in IMIL with new packaging and new design, when it will kind of be accretive to EBITDA margin and what kind of volumes you are looking to achieve and how it will help you to get more EBITDA on the business, so that is one and maybe I will ask for the question later?
- Shekhar Swarup:** In Rajasthan, our capacity in the past was 125 kl per day for 350 days in a year and this was prescribed by ministry of environment as the limitation based on the amount of water we are able to consume. The installed capacity there has always been 150 kl per day and with adding standby equipment, with reduction in water consumption, we were able to demonstrate to ministry of environment that our water consumption will not increase for the added capacity and with that the ministry of environment gave us permission to increase our capacity, so that is what happened in Rajasthan.
- Vikram Kotak:** And how much CAPEX you saved Shekhar, how much CAPEX you saved by doing this?
- Shekhar Swarup:** No, the comment wasn't about saving CAPEX, it was about limited CAPEX for the increased capacity, so the pay back is like 3 months or 4 months kind of the thing, so saving CAPEX is the limited CAPEX.
- Vikram Kotak:** And is it repeatable to other states also?
- Shekhar Swarup:** Yes and no, similar thing happened in Haryana some 2 years ago. Bihar and West Bengal are different types of plants, so it cannot be repeated there but in Bengal there is a small CAPEX underway to increase capacity by about 20%, so that will sort of play out may be by the end of the year.
- Vikram Kotak:** The other question was IMIL, the new four brand launch and how do you see this is panning out over a period of next 2 years or so?
- Shekhar Swarup:** In both Haryana and Rajasthan, new segments of IMIL have been introduced. They are called different things in different states, but they are essentially between IMIL and IMFL, so they are like a premium IMIL and they have a little more and little higher alcohol content. We would like to do far more sort of innovation with packaging. We allowed to use glass bottles, the ex-distillery prices are also higher than IMIL and these products will be sold in IMFL shops, so the idea is trying to get a share of the IMFL pie in each of these states, so these are new segments and at the moment, it is difficult for me to tell you when we will see the results. This is almost an experiment, it has never really been done before in these states by the excise department and we felt it was prudent for us to have a presence in these segments, so we have launched these brands and let us see the results, so suffice it to say that any sale will be EBITDA positive.



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- Vikram Kotak:** Okay. And this is we are the first one to do this experiment, right, to kind of go into the mid market and try to kind of explore the new customer range?
- Shekhar Swarup:** There are others who have also launched along with us. We are not sort of the only ones out there. But it is the first time in Haryana and Rajasthan that this segment has been introduced.
- Vikram Kotak:** Okay. Got it. And one more question, the total investment is on June or March '19 into Unibev is how much by the company?
- Ajay Goyal:** The total investment as on June is Rs. 27 crores odd.
- Shekhar Swarup:** This is since inception of unit.
- Vikram Kotak:** Yes, right, total investment. And Goyalji, one more question is what is the net debt as on today in the balance sheet, net debt?
- Ajay Goyal:** Net debt is 193 crores.
- Vikram Kotak:** Okay. Had we paid anything in this quarter or no? This quarter we have not paid yet?
- Ajay Goyal:** Yes. We have paid.
- Vikram Kotak:** I must say you reduced the debt, vis-à-vis last quarter? Sorry I don't know last quarter numbers, so I just want to check?
- Ajay Goyal:** Paying almost every quarter Rs. 8 crores –Rs. 10 crores.
- Vikram Kotak:** Okay. So, we are on that track.
- Ajay Goyal:** Sure.
- Vikram Kotak:** And one more question Shekhar for you and yes it is very good to see that promoter is showing more interest in the company and putting more money for the business and at the much higher price in the market. Are we in the stage where we are taking off from the 10% EBITDA margin range to little higher range or maybe turnover wise because you have Rajasthan coming in, ethanol Bihar started new product and just starting, Unibev will start contributing in couple of years. Are we seeing some change of the range for the company in long term from that 10%-10.5% EBITDA margin for the last many years I am watching that this company has been in that range. Are we seeing that this range will be broken out on the upside in the next 2-3 years, not maybe immediate future but are we geared to do that? Any particular levers or any particular strategy you are playing around those lines?



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Shekhar Swarup: Okay. Let me tell you a couple of things that are sort of playing out in the markets that we operate in. So, 4 years ago, 5 years ago, before the last Modi government was elected there was a huge push on ethanol in India and distilleries were encouraged to invest in capacities and as a result very quickly there were several grain distilleries that was set up in India. Unfortunately, the ethanol policy that came that time did not include grained based ethanol which was a bit of a blow to the entire grain based distilleries. As a result, the EBITDA margins on bulk grain ENA has been very low. I think quarters in Haryana for example where wheat in surplus that we have been selling material at very little maybe no EBITDA margin. But what happened last year as you are aware grain ethanol got included in the biofuels policy and so a lot of that was setup in advance waiting for grain fuel ethanol started actually getting utilized and as a result, we have the situation in India now where demand and supply of ethanol or ENA is more or less matched. In such a scenario, we are seeing that whenever there are pushes, so first there was a correction that happened in ENA prices and upwards correction rather and then once that happened, a certain margin got stabilized. In fact Q1 margins are yet stabilized. We see them stabilizing maybe in Q2 or Q3. We see that all increases and decreases in raw material prices are then going to be passed on directly to the customers, customers of ENA. So, as a result, the entire ENA basket is becoming more valuable than it has ever been in the last 6 or 8 quarters. So, to that extent, I do feel that these margins are sustainable. The other thing is that we are investing in Unibev. We are throwing up significant amount of cash which you can see through regular reduction in debt and Unibev has a good team. We are very confident about the results that are going to come there. The initial results are also very positive. So, as a result, promoters are seeing immense value.

Vikram Kotak: So, we can say over a period of 3 years, these margins will go into maybe a higher range than what we are trading for last couple of years or so?

Shekhar Swarup: That is the hope. That is the task that we are working on.

Vikram Kotak: The strategy is to do that and then of course you have to see the environment also.

Moderator: Thank you. The next question is from the line of Krati Rathi from Perpetuity. Please go ahead.

Krati Rathi: I have a question on Unibev's product portfolio. A few quarters back we had mentioned that we will be launching a vodka brand under Unibev. So, is there a change in plan on that front?

Vijay Rekhi: No ma'am, there is no change, but we have not decided the timing of the launch as yet for vodka and I may as well and with regard to premium rum, both these products have been conceptualized and they are ready to launch but we are giving priority these days to launch whisky because that is the biggest slice of the industry pie in terms of volume and revenues and contributions and the next comes brandy. So, we are going as per what is beneficial for the company to start with and of course rum would be next and vodka will be the last and that is the way they contribute from the industry pie in terms of flavors.



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- Krati Rathi:** So, maybe in FY21, sometime we can see these launches of vodka and rum?
- Vijay Rekhi:** FY19, no ma'am, I do not think so.
- Krati Rathi:** No, FY21, next year.
- Vijay Rekhi:** If you want me to hazard a guess, possibly yes. I am not too sure myself as yet.
- Krati Rathi:** And my second question is on Unibev. What is the plan which you have in mind like a 3-year or 5-year target where do you see the company maybe on volume, revenue, anything you can share on that front?
- Vijay Rekhi:** See first of all, we need to have a product portfolio which can be absorbed and placed in the IMFL outlets all over the country and you know there is a licensing regime. So, first you have to have a product portfolio. Thereafter as each and every state has got different excise policy and regulations with regard to manufacturer, labelling storage and transportation, import, export, so we have to focus on geographical coverage which is what we are doing at this point of time. From 5, now we are into 7 states and by the end of this year, we should be in 14 to 15 states. After that, we will look into the other aspects we have been referring to put the base, the platform to be able to generate the revenues and look forward.
- Krati Rathi:** I have one question then by when will we breakeven in Unibev?
- Shekhar Swarup:** So, we are limiting our losses in Unibev to the tune of around 5 crores a year and at that level, we are very happy to sustain this business. When comes to breakeven, that is a function of how aggressive we want to be for the future years. The underlying business is hugely profitable and this is a stage where teams need to be built in anticipation of future volumes and marketing expenses have to be incurred in anticipation of future volumes. It is difficult for me to give you a timeline on that question.
- Moderator:** Thank you. The next question is from the line of Giriraj Daga from KM Visaria Family Trust. Please go ahead.
- Giriraj Daga:** First like if you can give me some like full year how the numbers will look like on let us say bulk segment, what is the amount of order we have in hand where we have visibility to clock the year, full year?
- Shekhar Swarup:** So, giving annual revenue projection is something that we have tried to stay away from, but I can help you estimate this. If you see our track record in operating our distilleries, we have regularly achieved well over 90% capacity utilization at all our plants besides Bihar which of course was closed for reasons which are beyond our control. Last year, we started Bihar and this quarter of uninterrupted operations we have achieved, 88% capacity utilization. So, it is safe to



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assume that the end of this year we will reach that run rate, in fact an average of over 90% across all our facilities.

Giriraj Daga: But actually my question is specific to bulk alcohol segment where we reported 30 million barrels of volume in the quarter one like is this number sustainable 30 million for the rest of the year?

Dr. Bhaskar Roy: As already it was told that the Bihar is only the bulk facility. So, for the Bihar whatever is the capacity we are producing, all are going to the bulk because it is not converted to the bottled segment. So, in the other places except the IMIL and the franchise, all are going to the bulk only.

Giriraj Daga: Correct, so that is what the question is like do we have the orders in hand for the bulk segment particularly only where we can seek okay this 30 million plus minus maybe 5%-7% can sustain..

Dr. Bhaskar Roy: Just like where we have the ethanol thing orders, it is under contract basis. So, you have to supply till the contract is here and the rest is that the ENA and the ENA, we have sufficient orders to sustain.

Giriraj Daga: My second question is like related to what is the franchise when we report these numbers bottling 1.13 million cases, what is the revenue we got in the quarter one?

Dr. Bhaskar Roy: Revenue is offsetted.

Vijay Rekhi: Even the revenue from the bottling in our financials, we get basically the bottling charges. Now the total turnover that is from the books of the bottlers.

Giriraj Daga: So, it is like the number comes about 5 crore, 1.7% we have mentioned in the presentation, franchise IMFL so that is like it comes about roughly 5 crore kind of a number. Is this like entire thing flowing down to EBITDA, is it the right assumption majority of it?

Shekhar Swarup: The right way to look at the bottling business is the incremental ENA sale that we get from this and because this is a service that we provide to our customers, we are able to often charge a premium for the ENA that we push in the franchise business. Franchise business itself from revenue point of view, it is not very meaningful.

Giriraj Daga: And last thing on the Unibev side of it. What I am able to understand is that you are saying I will limit my losses to 5 crores, but at the same time you are expanding in multi occasion also which you will again require investment. So, will we have a year let us say FY20 or 21 where the losses will actually exceed or will still control at a 5 crore?

Shekhar Swarup: As of now, the plan is 5 crore losses per year, but this is a startup and I often tell people who ask me questions about future in Unibev that one needs to look at Unibev a little bit as a venture



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capital play. Unibev is very young. It is in the market where there is huge opportunity, not just for Unibev, but for several players. So, Unibev does not need to be the only player standing to make profits. There can be 15 brands, 15 companies and all of them can be making handsome profits. It is a defensive high value consumer play. Everything I say about Unibev will currently be caveated with as of now and beyond a certain level in future if we get good opportunity, we get a very good traction for any of our brands, we would then like to invest and see that brand grow.

Moderator: Thank you. The next question is from the line of Ravinder Singh, an individual investor. Please go ahead.

Ravinder Singh: This is regarding infusion of around 20 Cr through issuing warrants. So, could you let me know what would be the share in terms of contribution to Unibev and also to debt reduction?

Shekhar Swarup: It is difficult to say. The money will be added to the cash reserves of the company and you know the treasury function of the company from time to time we will decide how this is used. But the cash of the company is currently being used to pay down debt and to fund Unibev in almost a 50:50 kind of ratio for this year.

Ravinder Singh: Okay. And second question is regarding the capacity utilization. So, as per the presentation currently we are running with around 95% plus capacity utilization. So, is there any plan to increase this capacity going forward or like as you mentioned it would be through debottlenecking. We have already taken that efforts. So, any further plan to increase putting any CAPEX to capacity utilization or the focus would be on producing more of bottled and contributing a bulk to bottled and also to IMIL.

Shekhar Swarup: So, there are opportunities in some of our areas to increase capacity by investing in CAPEX. Currently, the priority of the company is to reduce debt and to finance, invest in Unibev. But we are conscious of the opportunities that are around us. For increasing in capacities, currently we are focused on very high ROI projects. As long as it is 33% ROI or better, we will undertake it. Anything which is less than a 33% ROI project, we currently not undertaking. So, this is the capital allocation question which we discuss all the time in the company but currently the policy is to finance Unibev and reduce debt while taking on the low hanging fruits of CAPEX in our facilities.

Moderator: Thank you. The next question is from the line of Tushar Sarda from Athena Investment. Please go ahead.

Tushar Sarda: I just wanted to understand your Bengal operations. How much money you had invested and what is the current profitability of this business and does Bengal continue to be mainly bulk alcohol or is the traction in the IMIL also?



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- Ajay Goyal:** See investment basically in Bengal it is to the tune of around 125 crores which includes setting up of the bottomlines and the distillery as well. So, this is the investment framework of West Bengal.
- Tushar Sarda:** Okay. And what is the current profitability, turnover and profitability run rate based on this current quarter?
- Ajay Goyal:** Run rate basically see it is the most liquidity market as of today for us and it is giving us highest contribution in terms of bulk alcohol in Bengal.
- Tushar Sarda:** But can you give some number, is that possible?
- Ajay Goyal:** Number wise basically I can tell you the capacity. Capacity is 1 lakh KLPD. If I take 1 lakh KLPD, 350 days 3.5 crores liters the total capacity and we are running almost 95% capacity utilization and the price of bulk would be in the range of Rs.55- Rs. 60 throughout the year. So, that means basically you can come around total turnover of that unit plus, then apart from that there are...
- Tushar Sarda:** And the contribution will be higher than the average company contribution, right?
- Ajay Goyal:** Yes.
- Tushar Sarda:** Because I think the price elsewhere is Rs.45-Rs.47, so if Bengal is 55-60...?
- Ajay Goyal:** Very right.
- Tushar Sarda:** Okay, thank you. And what is the traction on the IMIL, Shekhar if you can please update on that?
- Shekhar Swarup:** I had touched upon this earlier. IMIL in West Bengal is currently less profitable than selling ENA for us. So, we have limited our IMIL position in the districts where freights etc. is low and we are able to at least earn as much as we are on ENA. Going forward, country liquor, IMIL in West Bengal remains of strategic importance and as and when price increases are given, we will then reevaluate our tactics to grow this business.
- Tushar Sarda:** Okay, thank you. And I just wanted to reconfirm the debt figure. I think you mentioned 93 crores, is that right Ajay?
- Ajay Goyal:** 193.
- Moderator:** Thank you. The next question is from the line of Krati Rathi from Perpetuity. Please go ahead.



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- Krati Rathi:** I have a question on Rajasthan price hike. So, across we do a quarterly run rate of 90 crores per quarter in topline. So, if I analyze it, it is around 360 crores. 10% price hike would mean 36 crores extra on the topline. Assuming all the cost and increase in cost on raw material front and the packaging, can we still assume a 50% come down to EBITDA of around 18 crores – 20 crores on an annual basis in a 4 to 5 year?
- Shekhar Swarup:** So, this question was asked earlier on the call as well and I requested that I may please be excused from answering a specific number on that. We operate in a market where there are a lot of uncertainties. But a significant part of that increase will get passed down to bottomline.
- Moderator:** Thank you. The next question is from the line of Abhishek Agarwal from Prithvi Finmart. Please go ahead.
- Abhishek Agarwal:** Sir followup question. Like in West Bengal market you said for ENA price realization is on the higher side compared to other states. And currently I think there are only two players, major players in the ENA. One is Godrej Agrovet and second you. So, do you think because of the higher realization, new capacity is coming up in the West Bengal market which can eat higher profitability?
- Shekhar Swarup:** So, IFB Agro is the other player, not Godrej Agrovet. And yes, there will be capacities that will come up. The good news is that when Globus set up its capacity some 2.5 – 3 years ago, the imports of extra neutral alcohol into West Bengal was 7 crores liters a year and even today after the growth in the volumes that have happened in West Bengal, the import of alcohol remains at 7 crores liters per year. Globus's distillery size is 3.5 crores liters. IFB Agro distillery size is about 3.8 crores liters. Statics care of some part and after this 7 crores is import. So, there can be two more Globus size distilleries that have set up and even then price will not be impacted.
- Moderator:** Thank you. The next question is from the line of Sai Narayanan, an individual investor. Please go ahead.
- Sai Narayanan:** So, this is the question on the Haryana distillery. So, I remember 2011 or 2012 we acquired this ADL distillery. So, this ethanol capacity whatever we are using for ethanol blending, so is it going to come from that capacity, whatever we acquired from ADL, that is the question?
- Shekhar Swarup:** ADL is manufacturing and selling country liquor in Haryana. Ethanol is made at Samalka, 50% of Samalka's capacity is being used for ethanol and 50% is being used for ENA.
- Sai Narayanan:** Right. See, 2011, around that time we acquired ADL Distilleries. So, I just want to know, are we utilizing that capacity there in ADL? What is the capacity utilization if you are utilizing the capacity?



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- Dr. Bhaskar Roy:** Not running the distillery. We are running the bottling side and we are supplying country liquor from there to the Haryana market. So, actually the distillery which is there has to be revived and investments have to be done not to get it in on production and due to the old technology over there. So, that is on hold. Till in other places, our capacities are running fully and stabilized, etc. We have immediately no plans in running the distillery.
- Sai Narayanan:** So, what is the total capacity of that ADL plant? Any idea?
- Dr. Bhaskar Roy:** The whole capacity is 25,000 liters per day but we are not running that, because if the cost of the running will be higher than our standard benchmark which we are running in other places. And we had only bottling of the country liquor from there and supply to the Haryana market.
- Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Shekhar Swarup for closing comments.
- Shekhar Swarup:** Thank you very much for joining us this morning and please be in touch with us directly or with our IR agencies in case you require any further clarification or comments. Wish you all good day.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Globus Spirits Limited that concludes this conference and you may now disconnect your lines.